

Journal of

Business and Strategic Management

(JBSM)

Market Orientation and Performance of the Hospitality Industry
in Nairobi County, Kenya



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Journals

Market Orientation and Performance of the Hospitality Industry in Nairobi County, Kenya

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Accepted: 20th Mar, 2026, Received in Revised Form: 3rd Apr, 2026, Published 17th Apr, 2026

ABSTRACT

Purpose: Customer intelligence and competitive responsiveness are central to firm survival in service-intensive industries. This study investigated the influence of market orientation on firm performance in the hospitality industry in Nairobi County, Kenya. Market orientation was examined through customer focus, competitor awareness, and inter-functional coordination.

Methodology: The study adopted a cross-sectional correlational design and surveyed 293 senior managers from hotels, travel agencies, and tour operators selected through stratified random sampling. Data were analyzed using descriptive and multiple regression techniques to assess the strength of the market orientation–performance relationship.

Findings: Results reveal that market orientation has a positive and statistically significant effect on firm performance and represents the second strongest strategic predictor of performance within the sector. Firms that systematically monitor customer needs, respond swiftly to competitor actions, and coordinate internally around market intelligence demonstrate superior financial and operational outcomes.

Unique Contribution to Theory, Practice and Policy: The study concludes that market orientation functions as a strategic responsiveness mechanism in dynamic hospitality markets. It recommends that firms strengthen customer analytics systems, enhance cross-functional information sharing, and institutionalize competitor benchmarking to improve competitive positioning and performance.

Key Words: *Market Orientation, Firm Performance, Hospitality Firms, Nairobi County, Kenya*

Background of the Study

The global hospitality industry operates in an environment characterized by intense competition, shifting consumer expectations, and technological disruption (Gutiérrez-Martínez & Duhamel, 2019). Customer preferences evolve rapidly, compelling service firms to continuously adjust their offerings to maintain relevance (International Labour Organization, 2024). In such dynamic environments, responsiveness to market intelligence becomes central to organizational survival.

Tourism represents one of the most significant contributors to global GDP and employment (World Travel & Tourism Council, 2025). However, volatility, economic shocks, and regional instability have exposed vulnerabilities within hospitality markets, including fluctuating occupancy rates and declining average room revenues in several regions (MKG Hospitality Ltd, 2024). These patterns highlight the necessity of strong customer-centric and competitor-responsive strategies.

Market orientation, defined as the organizational capability to generate, disseminate, and respond to market intelligence, has been consistently associated with superior performance outcomes (Narver & Slater, 2020; Hakala & Kohtamaki, 2021). It encompasses customer focus, competitor awareness, and inter-functional coordination. Firms that actively monitor customer needs and competitor actions are better positioned to adapt pricing strategies, refine service offerings, and enhance customer satisfaction.

In Kenya, the hospitality sector remains a key contributor to GDP and foreign exchange earnings (KNBS, 2022). Nevertheless, increasing domestic competition, political instability, and international travel advisories have intensified market pressures (Manaf et al., 2021). Hospitality firms must therefore institutionalize systems that facilitate customer intelligence, cross-functional collaboration, and rapid strategic adjustment.

Although prior studies have established links between market orientation and firm performance (Lita & Faisal, 2020; Song & Jing, 2024), empirical findings remain inconsistent across contexts (Frank et al., 2020). Moreover, limited research isolates the effect of market orientation within emerging economy hospitality sectors. Given the service-intensive nature of the industry, understanding how market responsiveness translates into financial and operational performance is critical. Grounded in strategic management literature, this study investigates the influence of market orientation on firm performance among hospitality firms in Nairobi County, Kenya.

Statement of the Problem

Firm performance in the hospitality industry remains highly sensitive to environmental volatility, demand fluctuations, and competitive pressures. Globally, the World Travel & Tourism Council (WTTC, 2023) reports that the sector contributed 9.1% of global GDP in 2023, still below the 10.4% recorded in 2019. The 49.1% contraction in 2020 exposed structural weaknesses in customer retention, market responsiveness, and strategic positioning (WTTC, 2021). These shocks

revealed that not all firms recover uniformly, suggesting internal strategic differences influence performance resilience.

In Kenya, the instability was equally severe. The Kenya National Bureau of Statistics (KNBS, 2022) reported a 47.7% contraction in accommodation and food service activities in 2020, accompanied by a 72% decline in international arrivals. Although recovery has progressed, Tourism Research Institute (TRI, 2023) reports uneven revenue growth across firms, particularly among small and mid-sized enterprises. This variability suggests that firm-level strategic posture, particularly market responsiveness and customer intelligence capabilities, may determine performance differentials.

Market Orientation, defined as an organizational culture that prioritizes customer value creation, competitor awareness, and inter-functional coordination (Narver & Slater, 1990; Hakala, 2021), has been consistently linked to improved financial and market outcomes. Firms that gather and disseminate customer intelligence and respond strategically to competitive threats often achieve superior sales growth and market share (Gupta & Batra, 2022; Spanjol et al., 2021). However, empirical findings remain mixed across contexts, with some studies reporting diminished effects under turbulent conditions (Frank et al., 2020).

Despite Nairobi County hosting the highest concentration of hospitality establishments in Kenya, limited empirical research has isolated and examined the performance implications of market orientation within this urban context. Most studies aggregate multiple strategic dimensions or focus on coastal tourism regions, overlooking Nairobi's business-tourism-driven environment. Given the sector's continued volatility and competitive intensity, understanding whether market orientation significantly drives firm performance in Nairobi County represents an important empirical and contextual gap. This study therefore sought to examine the influence of market orientation on firm performance among hospitality firms in Nairobi County, Kenya.

Objectives of the Study

To establish the influence of market orientation on firm performance in the hospitality industry in Nairobi County, Kenya

Research Hypotheses

H₀₁: Market orientation does not have a significant influence on firm performance in the hospitality industry in Nairobi County, Kenya.

Literature Review

Theoretical Review

The environment-strategy-performance theory (ESPT) was advanced by Child and Kieser (1972) and opines that environmental factors are important determinants of an organizational strategic choice. For a firm to defend its existing market position and performance, they need to deliberately

identify appropriate strategies in response to the environmental changes. Matsumo and Mentzer (2000) assert that business performance of a firm is enhanced when the strategic choice and the environmental conditions have a fit that maximizes the effectiveness of operations of the firm.

Kropp and Zolin (2025) take cognizance of the fact that there exists synergistic relationship between interaction between the environment, resources and firm innovation. They asserted that the change of a certain industry and vice versa is enhanced by the radical innovation that may influence the industry design. Resource scarcity compels firms into an innovative mindset with the view to increasing process and product efficiency while ultimately creating successful competitive advantage. Many businesses are subsequently trying to create new and innovative methods to support their competitiveness.

In the context of this study, the theory recommends organizations be proactive in continuously modifying their strategies to fit their external environments. In that regard, strategic orientation is important. The environmental strategy performance theory highlights the scope of strategic planning process that must be integrated into the environmental conditions thus documenting the importance of strategic orientations. This theory is relevant to our research because it shows how different strategic orientations influence the success of the hospitality sector. It helps the researcher see if the approaches have beneficial or bad effects on the hospitality sector's profitability (Dragomir, 2020).

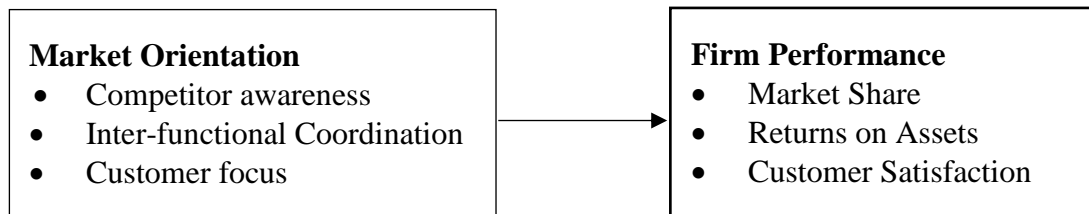
According to Lam and Yeung (2020), market fluctuations, fierce competition and constantly shifting rules are indicators of significant environmental uncertainty, and this is critical for company performance. However, Heiens and Pleskho (2020) argue that an organisation's market orientation are influenced by its environmental strategy, and an indicator of growth in its performance.

Therefore, the ESPT underpinned the need for firms in the hospitality industry to continuously modify their strategies to align with external changes, emphasizing strategic orientations as a response mechanism. The theory specifically supported the inclusion of market orientation as a variable, highlighting how market strategies aligned with environmental dynamics can significantly impact firm performance. According to Lam and Yeung (2020), environmental uncertainties such as market fluctuations and competitive intensity necessitate a strong market orientation, which in turn influences firm growth and performance. This alignment made market orientation a critical variable for examining how strategic fit contributes to the success of hospitality firms. the independent variable of market orientation is suitable for this study.

Conceptual Framework

Independent Variable

Dependent Variable

**Figure 2.1: Conceptual Framework****Market Orientation**

Market orientation is the strategic process of focusing on the needs of customers while also considering the needs of other stakeholders (Farrell and Oczkowski, 2022). Market orientation is one of the most significant strategic factors any company can embrace to improve its organization's adaptability in a dynamic market environment, as argued by Choi (2024). This may be accomplished by adopting a more customer-centric focus. Any business that places a strong emphasis on the market is committed to learning its customers' wants and needs, disseminating any information that is relevant to those customers throughout the entire organization, and fostering coordination among all of its operational divisions in order to provide the highest possible value for those customers (Fang et al., 2022; Jebarajakirthy et al., 2022; Hussain et al., 2024).

Narver and Slater (1995), stated that three behavioral components: customer focus, interfunctional coordination and competitor awareness, as well as two selection criteria – profitability and long-term focus, combine to form market orientation. They further stated that the main goal of Market orientation is delivering higher value to customers and appropriately meeting market expectations.

Market orientation, which is typical of highly competitive contexts, improves a firm's innovativeness, according to Kaya and Patton (2021). There is an argument that it creates value for current customers and supports technological improvements.

Firm Performance

Performance is the output measure of how successfully the resources of an enterprise have been harnessed in the development of value for the various stakeholders. The balanced score card is a measure of organizational performance that was developed by Kaplan and Norton (1995). This measure takes into account both financial and non-financial aspects of the business. It is considered a potent method that can assist in translating an organization's mission and vision into a tool that can successfully communicate the strategic purpose of the organization (Kaplan and Norton, 1996). Because of the one-of-a-kind characteristics of the sector that is being investigated, this study employed three different ways to measure the performance of organizations. These included: market share, Return on Assets (ROA), and customer satisfaction.

What constitutes a firm's market share is the proportion of the market that it controls. It is a measure of the accuracy with which a company has forecast the shifting dynamics of the market as well as the specific requirements of the clients it intends to serve. In most cases, it is evaluated based on the extent to which customers prioritize the offerings of the company's competitors. This is mostly determined by looking at an organization's overall sales and expressing those sales as a percentage of the total sales that occur within that industry. This can be simply determined using the data that is published by the authorities who regulate the industry (Khantimirov, 2024).

Customer satisfaction can be defined as the degree to which a customer believes that a particular individual, business, or organization has effectively supplied a product or service that satisfies the customer's demands in the context in which the customer is aware of and using the product or service. Satisfaction is not something that is inherently present in either the human or the product; rather, it is a response that is socially produced in response to the relationship that exists between a customer, a product, and the supplier of the product. To the extent that a provider is able to exert some control on the various aspects of the relationship, that provider has some say over the level of satisfaction experienced by the customer (Cengiz, 2020). The Return on Assets (ROA) metric was also utilized in this study. Profitability is measured by how well a company is able to turn its diverse assets into cash (Dzisi and Ofosu, 2024).

Empirical Review

According to Mahmoud (2022), market orientation is a term that describes practices that place an emphasis on the significance of buyer value generation by providing a prompt reaction to changing market needs and taking into consideration the interests of stakeholders. According to the findings of a study conducted by Farrell and Oczkowski (2022), the level of market orientation of a corporation has a substantial impact on the company's overall success. Also, market orientation and its components were found to significantly affect performance in a study examining the link between the two (Idar and Mahmood, 2021). Mavondo, Chimhanzi, and Stewart (2023), however, discovered that market orientation did not influence any metrics of success apart from financial outcomes. Similarly, it was found that the degree to which a company was market-oriented contributed to the success with which it achieved its overall goals (Nikoomaram and Ma'atoofi, 2021). However, Nikoomaram and Ma'atoofi (2021) found that market orientation was significantly affected by only subjective measures of company performance. Similarly, Haugland et al. (2024) found that market orientation had only a moderate impact on relative productivity, but had no impact whatsoever on return on assets.

Grinstein (2020) detailed the repercussions that a company's market orientation might have. He mentioned that there are advantages as well as disadvantages to having it. It includes producing high-quality goods, retaining loyal customers, and fostering an environment that encourages further innovation; the net effect is improved business performance. Market orientation is considered to be a strategic orientation. Zhou, Yimand, and Tse (2025) drew parallels between the

current orientation level and an alternate orientation level in order to get a better understanding of how performance is affected. Slater and Narver (2024) provided evidence for the concept that marketing orientation encourages businesses to adopt an external focus and to feel obligated to innovate, both of which contribute to the achievement and maintenance of outstanding performance. They went on to say that innovation has an effect on the connection that exists between the performance of a company and its market orientation, which is an essential component in the process of value creation.

According to the findings of the research carried out by Farley and Webster (2023), having a market orientation can significantly simplify the process of innovation and can boost the performance levels of a company. It is considered that market orientation is a prerequisite to innovation and that market orientation reflects an organization's wide receptiveness to information in the market. As a result, market orientation can serve as a conduit for innovation since it exposes the company to new business processes and requirements posed by customers. In their study *Establishing Market Orientation and Alternative Strategic Orientations: A Longitudinal Assessment of Performance Implications*, Noble, Sinha, and Kumar (2020) looked at the relationship between performance and different types of strategic orientations. Researchers have discovered data that were previously overlooked on the connection between a company's market orientation and its performance. These researchers explored the association between several market orientation variables and performance using a longitudinal methodology; the study was based on annual letters to shareholders. In addition to this, the relative influence of organizations' strategic orientations, which reflect the many different managerial agendas of businesses, was investigated. It was very clear that those businesses that processed high competitors' orientation levels, focused more on the national brand, and sold orientation did better than their counterparts.

The impact that being market-oriented has on the performance of a company has been the subject of extensive research and debate in academic circles, and management scholars are beginning to take an interest in the topic as a result. Companies with a strong focus on the market are better equipped to respond effectively to shifting customer requirements and can, as a result, gain a competitive edge. This is in agreement with Slater et al. (2024), who state that having a market orientation enables a company to be more customer-focused by enabling the collection of information regarding the capabilities of competitors and the preferences of customers. After that, the companies make use of the knowledge they have obtained to devise strategies that produce value for their customers. According to Idar and Mahmood (2021), an organization's level of market orientation has a significant impact on the company's level of performance.

Njeru (2023) conducted study that established the link that exists between the internal qualities of a company, the external features of that company, and the strategic market orientation of that company and how it affects performance. According to the data that was analyzed, the performance of a firm is neither greatly impacted by the features of that company, nor do such characteristics

have any moderating influence on the link that exists between market practices and orientation. Udoyi (2024) aimed to determine the relationship between a commercial bank's strategic orientation to the market and their overall performance. It was discovered that there is a direct significant relationship between the performance of the bank, its orientation towards customers and rivals, and coordination across the functions. Kimaiyo (2022) wanted to know how the performance of Kenya's tour firms was affected by whether or not they were oriented towards the market. According to the findings of his research, it was clear that the businesses he examined employed inter-functional management to improve customer satisfaction and construct company strategies that catered to the requirements of their existing and potential clientele.

Research Methodology

The study adopted a positivist research philosophy to facilitate quantitative measurement and hypothesis testing of the relationship between market orientation and firm performance. This approach supports objective data analysis and statistical generalization from sample to population (Creswell & Creswell, 2018). A cross-sectional correlational design was used to assess the association between market orientation and firm performance among hospitality firms operating in Nairobi County. The design was appropriate because market orientation reflects established organizational routines and behaviors that cannot be manipulated experimentally. Correlational research enables estimation of the magnitude and direction of associations between constructs using regression techniques (Field, 2018).

The target population consisted of Tourism Regulatory Authority registered hospitality firms, including hotels, travel agencies, and tour operators. Stratified random sampling ensured proportional inclusion of each subsector. One senior management respondent per firm provided information on firm-level market orientation practices and performance outcomes.

Data were collected using a structured questionnaire employing five-point Likert-scale items measuring customer focus, competitor intelligence, and inter-functional coordination. Firm performance was assessed using both perceptual measures and secondary performance data where accessible to enhance measurement credibility. Reliability of the market orientation scale was evaluated using Cronbach's alpha, and construct validity was assessed using accepted latent construct validation procedures including convergent and discriminant validity checks (Fornell & Larcker, 1981; Hair et al., 2022).

Data analysis was conducted in SPSS (version 28). Descriptive statistics were computed, followed by simple linear regression to estimate the effect of market orientation on firm performance:

$$Y = \beta_0 + \beta_1(\text{MO}) + \varepsilon$$

Where Y represents firm performance and MO represents market orientation. The statistical significance and magnitude of β_1 were used to determine whether market orientation significantly predicts performance. Standard diagnostic tests were performed to verify regression assumptions,

including assessment of residual normality, homoscedasticity, and absence of multicollinearity (Field, 2018).

Research Findings and Discussion

Out of the 293 questionnaires, 29 were used for pilot testing, leaving 264 questionnaires for the main study. From these, 240 completed questionnaires were returned and deemed usable, resulting in an overall response rate of 90.9%. This high response rate exceeds the widely accepted minimum of 60% for survey-based studies (Mugenda & Mugenda, 2003), reinforcing the validity and representativeness of the data collected. The returned questionnaires were reviewed for completeness, and all 240 were deemed suitable for quantitative and qualitative analysis.

Descriptive Analysis of Study Variables

Market Orientation

This section explores the extent to which market orientation strategies are practiced in the hospitality firms in Nairobi County, and how these practices contribute to firm performance. Market orientation is conceptualized through three main dimensions: customer focus, competitor awareness, and inter-functional coordination. Respondents were asked to rate eight statements on a 5-point Likert scale, where 1 = no extent, 2 = little extent, 3 = moderate extent, 4 = great extent, and 5 = very great extent. The responses of 240 participants were analyzed, and both descriptive statistics and thematic insights from open-ended responses are presented.

Table 1: Descriptive Statistics on Market Orientation Practices

Statement	1 f(%)	2 f(%)	3 f(%)	4 f(%)	5 f(%)	Mean	SD
Whenever a competitor's actions put us in threat, we take swift action.	4 (1.7)	7 (2.9)	35 (14.6)	117 (48.8)	77 (32.1)	4.071	0.901
The company company exhibits a strong customer focus with ts primary	3 (1.3)	6 (2.5)	30 (12.5)	104 (43.3)	97 (40.4)	4.200	0.849

goal centred on understanding and fulfilling client needs.							
In areas where we can gain a competitive edge, we focus on both large and small groups of clients, as well as individuals.	5 (2.1)	13 (5.4)	40 (16.7)	101 (42.1)	81 (33.8)	4.000	0.957
The firm promotes inter-functional coordination by encouraging employees to share insights about competitors' strategies across different departments.	7 (2.9)	15 (6.3)	44 (18.3)	108 (45.0)	66 (27.5)	3.875	0.972
The management team demonstrates strong competitor awareness by consistently analysing and discussing the strengths and strategies for their rivals to inform strategic decisions.	9 (3.8)	16 (6.7)	47 (19.6)	104 (43.3)	64 (26.7)	3.833	1.008
The level of commitment and the needs of the customer are monitored continuously.	3 (1.3)	9 (3.8)	34 (14.2)	113 (47.1)	81 (33.8)	4.083	0.886
The company's competitive strategy is built on a thorough knowledge of its clients' needs.	4 (1.7)	6 (2.5)	29 (12.1)	109 (45.4)	92 (38.3)	4.167	0.859
We share positive customer experiences openly in all of the company activities.	6 (2.5)	11 (4.6)	38 (15.8)	98 (40.8)	87 (36.3)	4.042	0.965
Aggregate Mean						4.034	0.925

The findings indicate that firms in Nairobi County's hospitality sector embrace market-oriented behaviors to a great extent. A substantial proportion of respondents (48.8% great extent; 32.1% very great extent) reported that their firms respond swiftly to competitor threats, yielding a mean of 4.071. On a five-point scale, this mean reflects strong agreement that competitive responsiveness is practiced widely. The corresponding standard deviation of 0.901, interpreted relative to a mean above 4.0, suggests low-to-moderate dispersion, indicating that most firms cluster around agreement, although some variation in responsiveness exists across organizations.

Customer focus recorded the highest mean ($M = 4.200$, $SD = 0.849$), demonstrating that satisfying client needs is strongly embedded in organizational priorities. The relatively lower standard deviation, when considered alongside the high mean, indicates that responses were concentrated near the "great extent" category, reflecting consistent emphasis on customer-centricity across firms. Similarly, serving both large and small customer segments yielded a mean of 4.000 ($SD =$

0.957), suggesting that market segmentation practices are broadly implemented, though the slightly higher dispersion indicates moderate differences in targeting strategies among firms.

Inter-functional coordination and competitor awareness showed somewhat lower means ($M = 3.875$, $SD = 0.972$; $M = 3.833$, $SD = 1.008$ respectively). While these averages still fall within the “great extent” threshold, the standard deviations approaching 1.0 indicate comparatively greater variability in internal information sharing and strategic competitor discussions. This suggests that, although market-oriented behaviors are generally practiced, the intensity of cross-departmental coordination and structured competitor analysis differs across firms.

Monitoring customer commitment ($M = 4.083$, $SD = 0.886$), designing strategies based on customer knowledge ($M = 4.167$, $SD = 0.859$), and sharing positive customer experiences internally ($M = 4.042$, $SD = 0.965$) further reinforce the strong orientation toward market intelligence and customer responsiveness. In each case, the combination of means near or above 4.0 and standard deviations below 1.0 indicates that responses are concentrated around agreement, reflecting broad but not perfectly uniform implementation across firms.

The aggregate mean of 4.034 confirms that market orientation is adopted to a great extent within the sector. The aggregate standard deviation of 0.925, interpreted relative to the high mean on a five-point scale, reflects low-to-moderate variability, suggesting a generally shared commitment to market-oriented practices, albeit with differences in depth and execution across firms. Overall, market orientation appears to be widely embedded as a strategic posture within Nairobi’s hospitality industry.

This finding aligns with studies that emphasize the role of market orientation in enhancing firm competitiveness and responsiveness. For example, Kuria and Muturi (2022) argue that market-oriented firms exhibit superior adaptive capacity in turbulent service environments, resulting in improved client retention and revenue generation. Additionally, Mwangi and Ndung’u (2021) found that market orientation directly correlates with innovation intensity and customer satisfaction, especially when aligned with interdepartmental cooperation. These perspectives are reinforced by the findings of this study, where firms that exhibit high responsiveness to customer needs, proactively monitor market shifts, and internally share strategic information report stronger performance indicators. In this context, market orientation emerges not merely as a theoretical concept, but as a practical and impactful strategic orientation that enables hospitality firms to survive and thrive amid Nairobi’s competitive and dynamic service landscape.

In addition to the quantitative Likert-scale data, respondents were invited to share their views on how market orientation has influenced firm performance. This open-ended question provided rich qualitative insights that further illuminate the quantitative findings. A recurring theme in the responses was the direct impact of customer focus on client retention and satisfaction. Several respondents emphasized that listening closely to customer feedback had enabled them to make targeted service improvements. One participant noted, *We have improved service turnaround time*

because we monitor customer needs in real-time. Another echoed this by stating, *Our loyalty programs are based on customer profiling and feedback which has increased repeat business.* These observations suggest that firms are leveraging customer intelligence not only to meet but exceed expectations, leading to enhanced performance outcomes.

The second notable theme was competitor awareness. Respondents highlighted how regular competitor benchmarking had helped their firms innovate and remain competitive. One manager shared that, *We constantly adjust our pricing and promotional strategies based on what competitors are doing, especially during peak seasons.* This demonstrates strategic agility, a hallmark of well-executed market orientation. Lastly, cross-departmental coordination was acknowledged as a key enabler. Employees reported that sharing customer-related data across functions had reduced service redundancies and improved efficiency. As one response put it, *Operations and customer service now align more because we discuss customer complaints together.*

These qualitative insights reinforce the quantitative findings, which showed high mean scores across statements related to customer focus, competitive response, and internal alignment. The integrated feedback illustrates that market orientation is not only theoretically endorsed but also actively practiced in ways that enhance organizational responsiveness and customer satisfaction. This is consistent with recent scholarly work such as Njuguna and Waithaka (2021), who argued that market orientation fosters proactive strategies that improve service quality and build sustainable competitive advantages. It also aligns with Obuya and Ngugi (2023), who found that open feedback loops between departments and clients significantly improve operational performance in hospitality firms.

Performance of Firms

This section presents an analysis of secondary data drawn from firm records for the years 2020 to 2024, to evaluate the evolution of key performance indicators. These include Return on Assets (ROA), Market Share, Total Sales and Number of Customer Complaints. This longitudinal performance review complements primary data findings by validating trends in strategic outcomes.

Table 2: Descriptive Statistics of Secondary Performance Indicators (2020–2024)

Indicator	2020	2021	2022	2023	2024	Mean	SD
Return on Assets (%)	3.1	4.2	5.6	6.4	7.3	5.32	1.60
Market Share (%)	6.5	7.1	7.8	8.5	9.2	7.82	1.03
Total Sales (KES M)	48.0	55.6	61.9	68.3	78.4	62.44	10.79
No. of Complaints	139	118	94	72	57	96.0	30.85

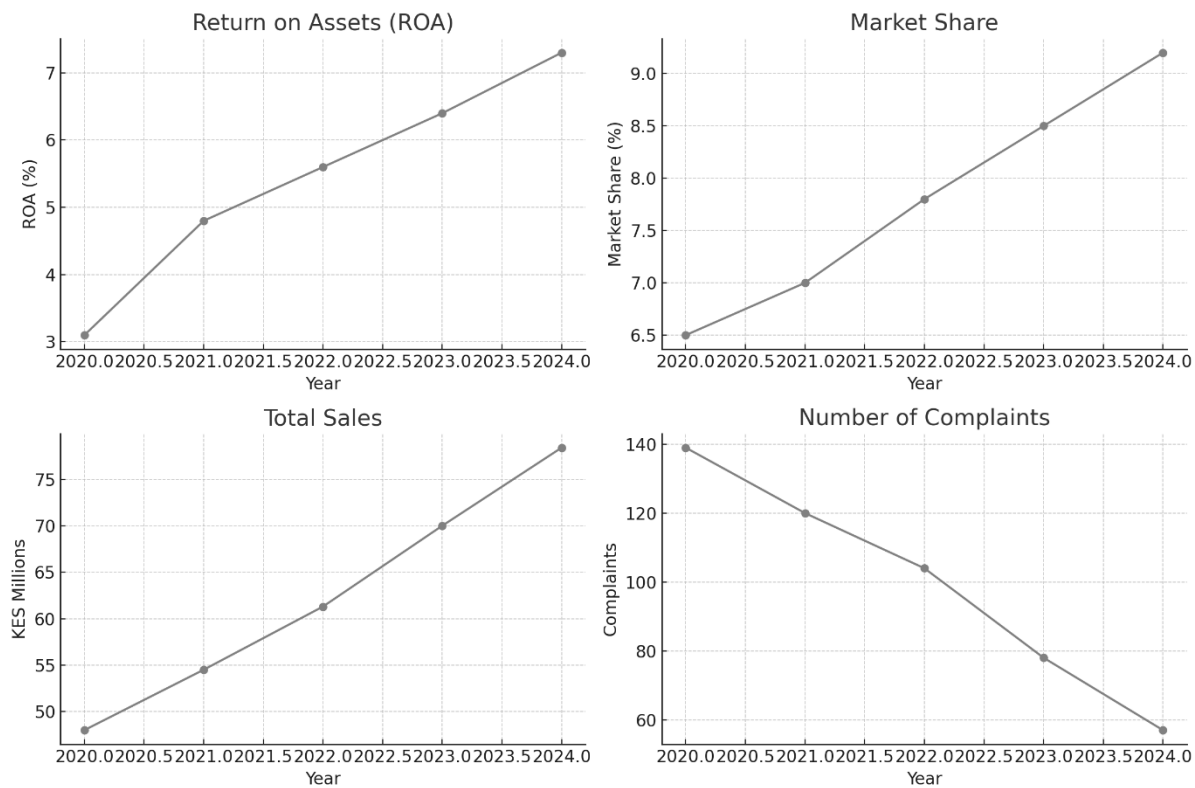


Figure 1: Trend Analysis of Firm Performance Indicators between 2020 and 2024

Between 2020 and 2024, the firm's ROA demonstrated a steady increase from 3.1% to 7.3%. This growth reflects improved financial efficiency and suggests that firms in the sector have become more proficient at turning investments into profits. The trend aligns with arguments by Gitahi and Kiambati (2022), who emphasized ROA as a robust indicator of operational performance in service-oriented businesses.

Market share also experienced consistent growth, moving from 6.5% in 2020 to 9.2% by 2024. This increase highlights competitive gains by the firm, potentially linked to stronger market orientation and strategic agility. It supports the findings of Mwangi and Ndung'u (2021), who noted that enhanced customer focus and proactive strategies often translate to larger market control in the hospitality sector.

Total sales rose significantly from KES 48.0 million in 2020 to KES 78.4 million in 2024. This steady revenue growth underlines the positive outcomes of strategic orientations like innovation, learning, and technology use. As noted by Kuria and Muturi (2022), revenue growth is often an outcome of firms' investment in long-term strategies such as brand equity and customer engagement.

Notably, the number of customer complaints fell from 139 in 2020 to 57 in 2024. This decline signals improved service delivery and customer satisfaction, likely influenced by the adoption of

learning and market orientations, which prioritize responsiveness and feedback loops. The trend confirms assertions by Obuya and Ngugi (2023), who observed that firms with structured customer feedback mechanisms report fewer complaints and greater client loyalty.

The secondary data trends affirm the effectiveness of strategic orientations applied in Nairobi's hospitality sector. The observed improvements in ROA, market share, sales, and customer satisfaction reinforce the findings from the primary data analysis. These patterns suggest that the integrated use of entrepreneurial, market, learning, and technological orientations results in sustained performance gains.

Simple Linear Regression Analysis

The objective of this study was to investigate the influence of market orientation on the performance of hospitality firms in Nairobi County, Kenya. Market orientation encapsulates a firm's strategic posture in gathering, disseminating, and responding to market intelligence. In highly service-oriented sectors like hospitality, where guest expectations evolve rapidly and customer satisfaction drives repeat business, market orientation is an indispensable capability. Firms that align their offerings with market signals are more likely to stay ahead of trends, foster customer loyalty, and outperform competitors.

To examine this relationship, a simple linear regression analysis was conducted. The analysis regressed firm performance on market orientation to assess the strength, direction, and statistical significance of the relationship. The regression was run at a 95% confidence level, and a p-value of 0.05 was used as the threshold for statistical significance.

Model Fit and Explanatory Power is shown in Table 3.

Table 3: Model Summary – Market Orientation and Firm Performance

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
Model 1	0.642 ^a	0.412	0.409	0.328

a. Predictors: (Constant), Market Orientation

b. Dependent Variable: Firm Performance

The model yielded a Pearson correlation coefficient (R) of 0.642, indicating a strong positive linear relationship between market orientation and firm performance. The R Square value of 0.412 suggests that 41.2% of the variation in firm performance can be statistically explained by the firm's market orientation. The adjusted R Square (0.409) confirms that the model maintains its explanatory power even after accounting for sample size, reinforcing the generalizability of the findings. This magnitude of explanatory capacity is substantial in social science research and validates market orientation as a critical performance determinant.

These findings are consistent with the studies by Narver and Slater (2022), who asserted that market orientation enhances organizational learning and strategic adaptability. Firms with high

levels of market orientation demonstrate superior capabilities in detecting customer shifts, preempting competitor actions, and reallocating resources for maximum impact.

Statistical Significance of the Model is as presented in Table 4.

Table 4: ANOVA – Market Orientation and Firm Performance

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	22.077	1	22.077	165.992	0.000 ^b
Residual	31.524	238	0.133		
Total	53.601	239			

a. Predictors: (Constant), Market Orientation

b. Dependent Variable: Firm Performance

The F-statistic of 165.992 and corresponding p-value of 0.000 ($p < 0.05$) indicates that the overall regression model is statistically significant. This implies that the probability of this model arising due to random variation is extremely low. The magnitude of the F-statistic further underscores the robustness of the model and strengthens the validity of the regression. According to Malhotra and Dash (2023), such results indicate that the independent variable, in this case, market orientation, substantively improves our ability to predict performance outcomes, validating its strategic role within firms.

Strength and Direction of Influence is presented in Table 5

Table 5: Coefficients – Market Orientation and Firm Performance

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t-value	Sig.
(Constant)	0.392	0.089		4.404	0.000
Market Orientation	0.614	0.048	0.642	12.883	0.000

a. Predictors: (Constant), Market Orientation

b. Dependent Variable: Firm Performance

The coefficient output reveals that the unstandardized coefficient (B) for market orientation is 0.614, with a t-value of 12.883 and a p-value of less than 0.05, indicating a statistically significant and positive influence on firm performance. The standardized beta ($\beta = 0.642$) is consistent with the R-value from the model summary, as expected in a single-predictor regression. This beta coefficient implies that for every one standard deviation increase in market orientation, firm performance increases by 0.642 standard deviations.

This confirms the theoretical proposition that market orientation enhances competitive positioning, customer responsiveness, and service quality, attributes that are essential to driving sustained performance in hospitality firms. The results are in agreement with the findings of Kohli and Jaworski (2023), who highlighted that market intelligence and responsiveness create a feedback loop that continuously refines a firm's value proposition in competitive service industries.

The fitted regression model is given as:

$$\text{Firm Performance} = 0.392 + 0.614(\text{Market Orientation})$$

This means that even in the absence of market orientation ($MO = 0$), the baseline performance level of hospitality firms is 0.392. For each one-unit increase in market orientation, firm performance is expected to increase by 0.614 units. This quantitative insight underscores the value of adopting a market-driven strategy to build resilience, customer satisfaction, and strategic foresight within a fast-changing sector.

Based on the empirical evidence, the null hypothesis ($H02$), which states that market orientation does not have a statistically significant effect on firm performance, is rejected. The study finds that market orientation is a significant and positive predictor of performance among hospitality firms in Nairobi County. The results support theoretical perspectives such as the Resource-Based View (RBV) and Dynamic Capabilities Theory, which position market sensing and customer responsiveness as unique, inimitable capabilities that yield sustainable competitive advantage. In the context of Nairobi's hospitality sector, market orientation emerges as a cornerstone of strategic success, enabling firms to achieve higher efficiency, adaptability, and customer-centric innovation.

Discussion of Findings

The study found that market orientation has a positive and statistically significant effect on firm performance. This finding agrees with Laukkanen et al. (2023), who conceptualize strategic orientation as a pattern of strategic responses directed toward achieving competitive advantage. The emphasis on customer focus, competitor awareness, and internal coordination aligns with established literature that links market-oriented behaviors to improved customer satisfaction and revenue growth. The findings are also consistent with Hakala (2021), who argues that firms must adopt strong strategic orientations that emphasize customer-centric services to sustain competitive performance. The descriptive results showing high mean scores for customer focus further reinforce this alignment.

However, the relatively weaker predictive strength of market orientation compared to entrepreneurial orientation suggests a nuanced dynamic. While market orientation improves alignment with customer needs, it may operate more incrementally by refining existing services rather than radically reshaping strategic direction. In highly competitive and unstable environments, incremental responsiveness may yield smaller performance effects compared to bold entrepreneurial repositioning. This contextual explanation helps reconcile the slight variation from studies that have found market orientation to be the dominant predictor in more stable industries.

Conclusions

Market orientation is also confirmed as a critical driver of firm performance. Firms that systematically monitor customer needs, analyze competitor actions, and coordinate internal responses achieve stronger financial and customer-based outcomes. However, while market orientation enhances responsiveness and alignment, its effect is slightly weaker than entrepreneurial orientation when all strategic dimensions are considered simultaneously. This suggests that customer focus and competitor awareness improve performance most effectively when combined with proactive and innovative strategic behavior.

Recommendations

Policy Implications

Tourism regulatory bodies should support sector-wide market intelligence infrastructure to strengthen customer and competitor responsiveness within the hospitality industry. Since market orientation significantly predicts firm performance, policymakers should facilitate access to centralized customer analytics platforms, destination-level data systems, and shared competitive benchmarking tools, particularly for small and medium enterprises.

Public-private partnerships can further promote customer experience standardization frameworks to enhance service quality consistency across the industry. Strengthening destination branding strategies at county level would also support market-oriented firms in attracting and retaining customers.

Capacity-building initiatives focused on customer analytics, digital marketing competencies, and inter-functional coordination should be integrated into national tourism development programs.

Managerial Implications

Managers should formalize market intelligence systems to ensure that customer insights translate into actionable strategy. Real-time feedback mechanisms, systematic competitor monitoring, and structured cross-functional review meetings should be institutionalized.

Customer orientation must extend beyond service courtesy to strategic alignment. Firms should integrate customer satisfaction metrics into performance evaluation systems and align product development decisions with verified customer data.

Inter-functional coordination should be strengthened to prevent information silos. Marketing, operations, and service departments must operate within integrated planning frameworks to ensure responsiveness and strategic coherence.

Investment in data-driven decision-making capabilities, including customer relationship management systems and digital analytics tools, should be prioritized to enhance performance outcomes.

Directions for Future Research

Future research should explore market orientation across different tourism segments to determine whether customer-driven strategies yield similar performance effects in leisure, business, and luxury hospitality markets. Longitudinal research could further examine how sustained customer-centric practices influence profitability and market share over time. Additionally, studies integrating qualitative methods could provide deeper insights into how firms convert customer intelligence into operational and strategic action.

Contribution of the Study

This study advances strategic management scholarship by empirically validating the performance implications of Market Orientation within the hospitality industry of an emerging economy. While market orientation theory is well established in developed contexts, its empirical application within African service sectors remains limited. By demonstrating that customer focus, competitor responsiveness, and inter-functional coordination significantly predict firm performance in Nairobi's hospitality sector, the study strengthens the external validity of Market Orientation theory.

The findings reinforce the theoretical argument that customer intelligence and market responsiveness serve as strategic capabilities that enhance financial and market performance. In service-dominant industries such as hospitality, where customer experience directly influences revenue and retention, market orientation operates as a performance-enhancing mechanism through systematic information gathering and coordinated response strategies.

Empirically, the study contributes localized evidence from Kenya, expanding the geographic representation of market orientation research. It responds to calls for greater contextual diversity in strategic management scholarship by demonstrating that customer-centric strategies yield measurable performance benefits within developing economy environments.

Methodologically, the study contributes through the application of validated multi-item constructs and regression-based testing within a cross-sectional organizational dataset. The inclusion of objective performance indicators alongside perceptual measures strengthens the robustness of findings and enhances methodological credibility. From a practical standpoint, the study provides hospitality managers with evidence-based guidance emphasizing structured market intelligence systems, customer feedback integration, and cross-functional coordination as key drivers of performance improvement.

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